Issued under P.A. 2 of 1968, as amended.							
Local Government Type ☐City ☐ Township ☐ Village ☒ Other	Local Governm Grand Blanc Fi	re Commission			County Genesee		
Audit Date Opinion Date Date Accountant Report Submitted to Sate:  Grand Blanc Fire Commission March 8, 2006 5/24/06							
We have audited the financial statements prepared in accordance with the Statemen Reporting Format for Financial Statemen Department of Treasury.	ents of the Gov	ernmental Accou	nting St	andards Boa	rd (GASB) an	d the <i>Uniform</i>	
We affirm that:							
1. We have complied with the Bulletin for	or the Audits of	Local Units of Go	vernme	nt in Michiga	n as revised.		
2. We are certified public accountants re	egistered to pra	ctice in Michigan.					
We further affirm the following. "Yes" rein the report of comments and recommen		peen disclosed in	the fina	ancial statem	ents, includinç	the notes, or	
You must check the applicable boxes for	each item belov	W.					
☐ yes ☒ no 1. Certain component unit	s/funds/agencie	es of the local unit	are exc	cluded from t	he financial sta	atements.	
						etained	
						A. 2 of	
yes on 4. The local unit has violated or its requirements, or a						ance Act	
☐ yes ☒ no 5. The local unit holds dep of 1943, as amended [I						(P.A. 20	
☐ yes ☒ no 6. The local unit has been unit.	delinquent in d	istributing tax reve	enues th	nat were colle	ected for anoth	ner taxing	
yes \( \) no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).						funded and	
☐ yes ☒ no 8. The local unit uses cred 1995 (MCL 129.241).	lit cards and ha	s not adopted an	applical	ble policy as	required by P.	A. 266 of	
☐ yes ☒ no 9. The local unit has not a	dopted an inves	stment policy as re	equired	by P.A. 196 To E		•	
We have enclosed the following:				Enclosed	Forwarded	Required	
The letter of comments and recommenda	tions.						
Reports on individual federal financial assistance programs (program audits).							
Single Audit Reports (ASLGU).							
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs							
Street Address 4468 Oak Bridge Drive			City	Flint	State MI	ZIP 48532	
Accountant Signature	howley						

# GRAND BLANC FIRE COMMISSION

**Grand Blanc, Michigan** 

Annual Financial Statements and Auditors' Report

**December 31, 2005** 

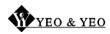


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### **GRAND BLANC FIRE COMMISSION**

# Members of the Board of Commissioners and Administration December 31, 2005

### **Board of Commissioners**

D. Keith Baldwin

Chairperson

Vice-Chairperson

Paul D. Bush Treasurer

Patricia J. Rockafellow Secretary

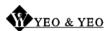
Peter L. Venos Trustee

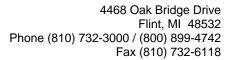
#### Administration

James B. Harmes Fire Chief

Richard B. Ferriby Deputy Chief

Alexis Davlantes Office Manager







# **Independent Auditors' Report**

Board of Directors
Grand Blanc Fire Commission

We have audited the accompanying financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of Grand Blanc Fire Commission as of December 31, 2005 and 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Grand Blanc Fire Commission at December 31, 2005 and 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Flint, Michigan March 8, 2006



Within this section of the Grand Blanc Fire Commission's annual financial report, the Commission's management is providing a narrative discussion and analysis of the financial activities of the Commission for the fiscal year that has ended on December 31, 2005. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section.

#### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the Commission's basic financial statements. The basic financial statements include the following: 1) government-wide financial statements, 2) fund financial information, 3) notes to the financial statements. The Commission also includes in this report additional information to supplement the basic financial statements.

#### Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader a broad overview of the Commission's finances. Although this is a government entity, the manner in which they are presented is similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. As the Commission continues to operate, increases and decreases in net assets will occur and may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* demonstrates information on how the Commission's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Commission's distinct activities or functions on the revenues generated by the Commission.

Both government-wide financial statements distinguish governmental activities of the Commission that are intended to recover all or a significant portion of their costs through contributions, user fees, and charges. The Commission's financial reporting includes all the funds that the Commission is accountable.

#### Fund Financial Statements

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulation.

The Commission has three kinds of funds, a governmental fund, a proprietary fund and a fiduciary fund. *Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail it's relation to net assets. The proprietary fund is used to record the activities of the emergency vehicle fund – internal service fund, on the accrual basis of accounting. The fiduciary fund statements provide financial information about activities for which the Commission acts solely as an agent for the benefit of those outside the government.

#### Notes to the Financial Statement

The accompanying notes to the Financial Statements provide information essential to a full understanding of both the government-wide and fund financial statements.

#### Other information

This report includes Statement of Net Assets for the Internal Service Fund. Along with the Assets, this statement includes all liabilities both current and non-current of the Commission.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers and payments within the reporting entity.

#### Financial Analysis of the Commission as a Whole

The Commission's net assets at the end of the fiscal year 2005 were \$ 1,616,361. This is a \$ 41,437 increase over the 2004 fiscal year that ended at \$ 1,574,924.

The following tables provide a summary of the Commission's financial activities in the net assets:

## **Summary of Net Assets**

	2005		2004
Assets		_	
Current assets	\$	564,868	\$ 591,121
Capital assets		1,483,176	1,573,611
Total assets			
		2,048,044	2,164,732
Liabilities			
Current liabilities		216,831	212,137
Long-term liabilities		214,852	 377,671
Total liabilities		431,683	 589,808
Net Assets			
Invested in capital asset, net of related debt		1,122,993	1,053,556
Unrestricted		493,368	521,368
Total net assets	\$	1,616,361	\$ 1,574,924

# **Summary of Changes in Net Assets**

Revenue				
General revenue	 2005	2004		
Interest and investment earnings	\$ 15,424	\$	7,548	
Other general revenue	786		5,617	
Total general revenue	 16,210		13,165	
Program revenue				
Charges for services	14,725		5,880	
Operating grants and contributions	555,128		538,965	
Capital grants and contributions	160,280		160,280	
Total revenue	730,133		705,125	
Expenses				
Fire protection	688,757		696,301	
Interest on long-term debt	16,149		26,850	
Total expenses	704,906		723,151	
Change in net assets	41,437		(4,861)	
Beginning net assets	1,574,924		1,579,785	
Ending net assets	\$ 1,616,361	\$	1,574,924	

#### Financial Analysis of the Commission's Funds

The Commission receives its funds from the City of Grand Blanc and the Charter Township of Grand Blanc at a rate of 25% and 75%, that is the City portion is 25% and the Township portion being 75%. These figures are used in both the emergency vehicle fund and the general fund.

#### **General Fund Budgetary Highlights**

The budget was originally adopted by the Commission and then approved by the Charter Township of Grand Blanc and then by the City of Grand Blanc. The Budget goes before the Township first because their Fiscal year is the same as ours, then it is passed in front of the City before June 1. The budget did not need to be amended throughout the year.

#### **Capital Asset and Debt Administration**

The Commission started the fiscal year with a beginning debt balance of \$ 378,604, of that \$ 210,000 is attributed to the aerial platform purchased in 2001, \$ 126,168 is attributable to the pumper truck purchased in 2004, and \$ 24,015 is attributable to the 2004 Tahoe. The rest of the debt is for compensated absences, which is \$ 18,421. The reduction of the beginning debt balance was \$ 163,752 for the fiscal year 2005.

The payments that will be made in 2006 for the aerial platform truck, pumper truck, and Chevrolet Tahoe are as follows:

Aerial platform truck - \$ 30,000 (annual payment) Pumper truck - \$ 126,168 (annual payment) Tahoe - \$ 7,584 (in monthly installments)

The Commission purchased a total of \$80,629 of new equipment for the fiscal year of 2005. The equipment included new turnout gear costing \$23,809, a new radio system costing \$51,523, and a new phone system costing \$2,607, and pagers costing \$2,690. There were no purchases out of the vehicle fund during 2005.

### **Economic Conditions and Future Activities**

Future operations of the Grand Blanc Fire Department will remain funded by the City of Grand Blanc and the Charter Township of Grand Blanc at its current rate. The amount will continue to grow due to the increase in the tax base of both governments.

#### **Contacting the Commission's Financial Management**

This report was designed to provide a general overview of the Commission's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information, please contact the Grand Blanc Fire Department/Commission at 117 High Street, Grand Blanc, MI 48439.

# Statement of Net Assets December 31, 2005 and 2004

	Governmental Activities	
Access	2005	2004
Assets Current assets		
	\$ 530,172	\$ 557,436
Cash and cash equivalents  Due from other governmental units	34,696	33,685
Total current assets	564,868	591,121
Total Culterit assets	304,000	391,121
Noncurrent assets		
Capital assets		
Buildings improvements	3,200	3,200
Office furniture & equipment	27,354	24,747
Radios	126,326	72,113
Emergency vehicles	2,117,983	2,148,961
Rescue equipment	206,002	206,002
Tools	293,464	269,655
Less: accumulated depreciation	(1,291,153)	(1,151,067)
Total noncurrent assets	1,483,176	1,573,611
Total assets	2,048,044	2,164,732
Liabilities		
Current liabilities		
Accounts payable	18,166	13,897
Accrued payroll	29,625	30,119
Current portion of long-term debt	163,752	159,872
Accrued interest	5,288	8,248
Total current liabilities	216,831	212,136
Noncurrent liabilities		
Compensated absences payable	18,421	17,489
Long-term portion of notes payable	196,431	360,183
Total long-term liabilities	214,852	377,672
	<del></del>	
Total liabilities	431,683	589,808
Net Assets		
Invested in capital assets, net of related debt	1,122,993	1,053,556
Unrestricted	493,368	521,368



### **Statement of Activities**

# Years Ended December 31, 2005 and 2004

				2005								2004
					Progra	am Revenues	3		Ne	t (Expense)	Net	(Expense)
				Operating Capital Re				evenue and	Rev	enue and		
				arges for		rants and		rants and		hanges in		anges in
		xpenses	S	ervices	Co	ntributions	Co	ntributions	N	let Assets	Ne	et Assets
Functions/Programs Governmental activities Fire Protection	\$	688,757	\$	14,725	\$	555,128	\$	160,280	\$	41,376	\$	8,824
Interest on long-term debt		16,149								(16,149)		(26,850)
Totals	\$	704,906	\$	14,725	\$	555,128	\$	160,280		25,227		(18,026)
	Gen	eral revenues	3									
		erest and inve		it earnings						15,424		7,548
		in on sale of	asset							-		5,023
	Oth	ner								786		594
		Total ge	eneral	revenues						16,210		13,165
		Change	e in net	assets						41,437		(4,861)
	Net a	assets - begir	nning							1,574,924		1,579,785
	Net a	assets - endir	ng						\$	1,616,361		1,574,924

# Grand Blanc Fire Commission Balance Sheet - Governmental Funds December 31, 2005 and 2004

	General	Fund
	2005	2004
Assets		
Cash	\$ 171,314	\$ 152,048
Due from other governmental units	34,696	33,685
Total assets	\$ 206,010	\$ 185,733
Liabilities and Fund Balance		
Liabilities		
Accounts payable	16,638	13,257
Due to emergency vehicle fund	-	9,000
Accrued payroll	29,625_	30,119
Total liabilities	46,263	52,376
Fund Balance		
Other undesignated	159,747	133,357
Total fund balance	159,747	133,357
Total liabilities and fund balance	\$ 206,010	\$ 185,733



# Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets December 31, 2005

Total fund balances for governmental funds		\$ 159,747
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Building improvements Office furniture and equipment Radios Rescue equipment Tools Less: accumulated depreciation  Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of December 31, 2005 are as follows:	3,200 27,354 126,326 206,002 293,464 (417,430)	238,916
Compensated absences payable		(18,421)
Net assets of the Emergency Vehicle Fund are included in the governmental activities		 1,236,119

Net assets of governmental activities



1,616,361

# Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

### Years Ended December 31, 2005 and 2004

	General Fund		
Revenues	2005	2004	
Member contributions:			
City of Grand Blanc	\$ 138,782	\$ 134,739	
Charter Township of Grand Blanc	416,346	404,226	
Interest earnings	3,800	1,398	
Other income	15,511	6,474	
Total revenues	574,439	546,837	
Expenditures			
Salaries and fringe benefits	181,378	177,117	
Part-time salaries and fringe benefits	172,775	203,592	
Uniforms	3,174	3,688	
Operating supplies	9,971	9,858	
Building maintenance	4,521	6,730	
Utilities	24,728	21,445	
Conferences and workshops	12,876	8,941	
Insurance	14,475	18,074	
Workers' compensation	8,020	8,279	
Accounting and auditing	5,217	5,225	
Memberships and dues	2,257	2,696	
Office supplies and postage	3,196	1,853	
Contracted services	4,907	5,288	
Equipment repair and replacement	54,323	5,419	
Other capital outlay	29,106	18,792	
Telephone	4,552	5,090	
Physicals	5,373	4,320	
Janitorial services	7,200	7,465	
Total expenditures	548,049	515,058	
Excess of revenues over expenditures	26,390	31,779	
Fund balance - beginning	133,357	101,578	
Fund balance - ending	\$ 159,747	\$ 133,357	

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net change in fund balances - total governmental funds		\$ 26,390
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.  Depreciation expense Capital outlay	\$ (56,797) 80,629	23,832
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  Change in compensated absences payable		(932)
Emergency Vehicle Funds are included as governmental activities		 (7,853)
Change in net assets of governmental activities		\$ 41,437



# Statement of Net Assets Internal Service Fund December 31, 2005 and 2004

	Emergency \	Vehicle Fund
	2005	2004
Assets		
Current assets		
Cash	\$ 358,858	\$ 405,388
Due from general fund	· •	9,000
Total current assets	358,858	414,388
Noncurrent assets		
Capital assets		
Emergency vehicles	2,117,983	2,148,961
Less: accumulated depreciation	(873,723)	(790,434)
Total noncurrent assets	1,244,260	1,358,527
Total assets	1,603,118	1,772,915
Liabilities		
Current liabilities		
Accounts payable	1,528	640
Current portion of notes payable	163,752	159,872
Accrued interest on notes payable	5,288_	8,248
Total current liabilities	170,568	168,760
Noncurrent liabilities		
Notes payable - long-term portion	196,431	360,183
Total noncurrent liabilities	196,431	360,183
Total liabilities	366,999	528,943
Net Assets		
Invested in capital assets, net of related debt	884,077	838,472
Unrestricted	352,042	405,500
Total net assets	\$ 1,236,119	\$ 1,243,972



# Statement of Revenues, Expenses, and Changes in Net Assets

### **Internal Service Fund**

# Years Ended December 31, 2005

	Emergency '	Vehicle Fund
	2005	2004
Operating revenues City of Grand Blanc Charter Township of Grand Blanc	\$ 40,070 120,210	\$ 40,070 120,210
Total operating revenue	160,280	160,280
Operating expenses Gas, oil, and grease Truck repair and maintenace Equipment maintenance	8,762 20,267 999	8,058 20,251 940
Insurance on rolling stock Depreciation Service charge	19,281 114,268 31	15,409 107,441 11
Total operating expenses	163,608	152,110
Operating income	(3,328)	8,170
Nonoperating revenues and expenses Interest income Interest expense Gain on sale of asset	11,624 (16,149) -	6,151 (26,851) 5,023
Total nonoperating revenues and expenses	(4,525)	(15,677)
Net assets	/7.0F2\	(7.507)
Decrease in net assets	(7,853)	(7,507)
Total net assets, beginning of year	1,243,972	1,251,479
Total net assets, end of year	\$ 1,236,119	\$ 1,243,972

# Internal Service Fund

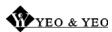
### Statements of Cash Flows Years Ended December 31, 2005 and 2004

	Emergency	Vehicle Fund
	2005	2004
Cash Flows From Operating Activities Other receipts Payments to suppliers	\$ 160,280 (48,453)	\$ 160,280 (44,379)
Net cash provided (used) by operating activities	111,827	115,901
Cash Flows from Noncapital Financing Activities Payment from General Fund	9,000	-
Cash Flows from Capital and Related Financing Activities Purchase of capital assets Proceeds from borrowing Proceeds from sale of asset Interest payments on debt Payments on long-term debt	- - (19,109) (159,872)	(411,531) 407,393 10,000 (21,846) (147,339)
Net cash provided (used) by capital and related financing activities	(178,981)	(163,323)
Net Cash Flows from Investing Activities Interest income	11,624	6,151
Net decrease in cash and cash equivalents	(46,530)	(41,271)
Cash and cash equivalents at beginning of year	405,388	446,659
Cash and cash equivalents at end of year	\$ 358,858	\$ 405,388
Reconciliation of Operating Income to Net cash Provided by Operating Activities Operating income Adjustments to reconcile operating income to net cash provided by operating activities Depreciation Change in liabilities	\$ (3,328) 114,268	\$ 8,170 107,441
Accounts payable	887	290
Net cash provided by operating activities	\$ 111,827	\$ 115,901



# Grand Blanc Fire Commission Statement of Fiduciary Net Assets December 31, 2005 and 2004

	Agency	y Funds		
	 2005		2004	
Assets Cash and cash equivalents	\$ 8,039	\$	5,021	
Liabilities  Due to Fire Fighters' Club	\$ 8,039	\$	5,021	



# **Grand Blanc Fire Commission Notes to Financial Statements**

December 31, 2005

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Grand Blanc Fire Commission (the Commission) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Commission's significant accounting policies:

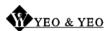
#### **Reporting Entity**

The Grand Blanc Fire Commission is a joint venture of the City of Grand Blanc and the Charter Township of Grand Blanc, formed by a contractual agreement between the two communities in accordance with Michigan Public Act 33 of 1951. The Commission provides fire protection for both communities and the expenses are shared 75 percent by the Charter Township of Grand Blanc and 25 percent by the City of Grand Blanc. The Commission was legally established on September 13, 1989, and began operations January 1, 1990. The Commission is comprised of five members, as follows: Two appointed by the City Council (one of which will be a council member), two appointed by the Township Board (one of which will be a board member) and one selected by the members of the Fire Department (from among its membership). The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Commission's reporting entity, and which organizations are legally separate component units of the Commission. The Commission has no component units.

#### **Government-wide Financial Statements**

The Commission's basic financial statements include both government-wide (reporting for the government as a whole) and fund financial statements (reporting the Commission's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Commission's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Commission's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.



# Notes to Financial Statements December 31, 2005

The statement of activities reports both the gross and net cost of each of the Commission's functions. The functions are also supported by general government revenues (intergovernmental revenues, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Commission does not allocate indirect costs. In creating the government-wide financial statements the Commission has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Commission as an entity and the change in the Commission's net assets resulting from current year activities

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accrual basis of accounting is used by the Internal Service Fund. The General Fund utilizes the modified-accrual basis of accounting. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's internal service fund are charges to the member communities. Operating expenses for the internal service fund include costs associated with maintaining and repairing emergency vehicles and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Commission reports the following major governmental fund:

<u>General Fund</u> – The General Fund contains the records of the general operating activities of the Commission. General Fund activities are financed by contributions from the member communities.



# Notes to Financial Statements December 31, 2005

Additionally, the Commission reports the following fund types:

<u>Emergency Vehicle Fund (internal service fund type)</u> – The Emergency Vehicle Fund is used to account for the financing of emergency vehicles provided to the General Fund of the Commission. Emergency Vehicle Fund activities are financed by charges to the member communities.

<u>Agency Fund (fiduciary fund type)</u> – Agency Fund is used to account for assets held by the Commission as an agent for private organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

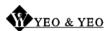
#### **Assets, Liabilities and Equity**

<u>Deposits and Investments</u> - The Commission's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at varying amounts which reasonably estimates fair value.

<u>Receivables and Payables</u> - Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them back into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Commission defines capital assets as assets with an initial individual cost in excess of \$ 2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Commission does not have infrastructure assets. Buildings improvements, furniture and equipment, tools, and emergency vehicles are depreciated using the straight-line method over the following useful lives:



# Notes to Financial Statements December 31, 2005

Building improvements	15-20 years
Office furniture & equipment	5-20 years
Radios	7-25 years
Emergency vehicles	5-20 years
Rescue equipment	7-15 years
Tools	7-20 years

<u>Long-term Obligations</u> – In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates**

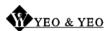
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Economic Dependency**

The Commission receives approximately 75% of their general fund revenue from the Charter Township of Grand Blanc. Due to the significance of this revenue source, the Commission is considered to be economically dependent on the Charter Township of Grand Blanc.



# Grand Blanc Fire Commission Notes to Financial Statements

December 31, 2005

#### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund. All annual appropriations lapse at fiscal year end.

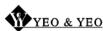
The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis.

Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

#### NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compile Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptances of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Custodial credit risk – deposits – This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a policy that addresses custodial credit risk. As of December 31, 2005, \$ 395,638 of the Commission's bank balance of \$ 551,780 was exposed to custodial credit risk because it was uninsured and uncollateralized.



# Notes to Financial Statements December 31, 2005

### **NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the Commission can be summarized as follows:

For the year ended December 31, 2005

		Balance					Balance
	De	ecember 31,		Dis	sposal and	De	ecember 31,
		2004	 Additions	Ac	ljustments		2005
Building improvements	\$	3,200	_		_	\$	3,200
Office furniture and equipment		24,747	\$ 2,607				27,354
Radios		72,113	54,213				126,326
Emergency vehicles		2,148,961		\$	30,978		2,117,983
Rescue equipment		206,002					206,002
Tools		269,655	23,809				293,464
			_				
Subtotal		2,724,678	80,629		30,978		2,774,329
Less accumulated depreciation							
Building improvements		(213)	(213)				(426)
Office furniture and equipment		(16,208)	(3,604)				(19,812)
Radios		(40,219)	(9,158)				(49,377)
Emergency vehicles		(790,434)	(114,268)		(30,978)		(873,724)
Rescue equipment		(102,160)	(19,540)				(121,700)
Tools		(201,833)	(24,281)				(226,114)
Total accumulated depreciation		(1,151,067)	(171,064)		(30,978)		(1,291,153)
							_
Total	\$	1,573,611	\$ (90,435)	\$	-	\$	1,483,176



# Notes to Financial Statements December 31, 2005

For the year ended December 31, 2004

	Balance			Balance
	December 31,		Disposal and	December 31,
	2003	Additions	Adjustments	2004
Building improvements		\$ 3,200		\$ 3,200
Office furniture and equipment	24,747			24,747
Radios	59,100	13,013		72,113
Emergency vehicles	1,795,691	411,532	\$ 58,262	2,148,961
Rescue equipment	201,577	4,425		206,002
Tools	269,655	-		269,655
Subtotal	2,350,770	432,170	58,262	2,724,678
Less accumulated depreciation				
Building improvements		(213)		(213)
Office furniture and equipment	(12,658)	(3,550)		(16,208)
Radios	(35,924)	(4,296)		(40,220)
Emergency vehicles	(736,277)	(107,441)	(53,285)	(790,433)
Rescue equipment	(82,620)	(19,540)		(102,160)
Tools	(178,250)	(23,583)		(201,833)
Total accumulated depreciation	(1,045,729)	(158,623)	(53,285)	(1,151,067)
Total	\$ 1,305,041	\$ 273,547	\$ 4,977	\$ 1,573,611

Depreciation expense for the years ended December 31, 2005 and 2004 were \$ 171,064 and \$ 158,623 respectively.

#### NOTE 5 - COMPENSATED ABSENCES

Long-term debt of the Fire Commission consisted solely of accumulated employee absences. This represents the estimated liability payable to employees upon termination under the Commission's sick and vacation pay policy, net of the portion that will paid currently. Under the Commission's policy, employees can earn sick and vacation time based on time of service with the Commission. As of December 31, 2005 and 2004, the balance was \$ 18,421 and \$17,489 respectively.



### Notes to Financial Statements December 31, 2005

#### **NOTE 6 - LONG-TERM DEBT**

The Commission issues notes, and other contractual commitments to provide for the acquisition of certain equipment. Other long-term obligations include compensated absences. Long-term obligation activity can be summarized as follows:

For the year ended December 31, 2005

	seginning Balance	Ado	ditions	R	eductions	Ending Balance	 nount Due ithin One Year
Aerial platform truck Pumper truck lease	\$ 240,000			\$	30,000	\$ 210,000	\$ 30,000
purchase	248,456				122,288	126,168	126,168
2004 Tahoe installment loan	31,599				7.584	24.015	7,584
Compensated absences	 17,489	\$	932			 18,421	 
	\$ 537,544	\$	932	\$	159,872	\$ 378,604	\$ 163,752

For the year ended December 31, 2004

	eginning Balance	 Additions	Re	eductions	Ending Balance	ithin One Year
Aerial platform truck Pumper truck lease	\$ 260,000		\$	20,000	\$ 240,000	\$ 30,000
purchase	-	\$ 369,475		121,019	248,456	122,288
2004 Tahoe installment						
loan		37,919		6,320	31,599	7,584
Compensated absences	18,900			1,411	 17,489	
	\$ 278,900	\$ 407,394	\$	148,750	\$ 537,544	\$ 159,872



# Notes to Financial Statements December 31, 2005

The City of Grand Blanc in conjunction with the Township of Grand Blanc entered into an installment contract to purchase an aerial platform truck on behalf of the Fire Commission. The contract was initiated in accordance with the provisions of Act No. 99, Public Acts of Michigan 1933. By agreement of the parties, these obligations have been assigned to the Fire Commission. The principal amount of the installment contract is \$ 300,000 payable over ten years. The contract bears interest at 4.99%, payable semi-annually in April and October. Annual principal payments began April 2003 and extend through April 2011. The contract is secured by the aerial platform truck. The annual requirement to pay principal and interest on this obligation at December 31, 2005 is summarized as follows:

Year Ended December 31,	F	Principal	 nterest	Total		
2006	\$	30,000	\$ 9,731	\$	39,731	
2007		30,000	8,234		38,234	
2008		30,000	6,736		36,736	
2009		40,000	4,990		44,990	
2010		40,000	2,994		42,994	
2011		40,000	 998		40,998	
Total debt payments	\$	210,000	\$ 33,683	\$	243,683	

During 2003, the Commission entered into a lease purchase agreement for the acquisition of a pumper truck for a total purchase price of \$ 369,475. The Commission took possession of the pumper truck during 2004. The lease bears a rate of 3.1%, payable in annual installments beginning May 2004. The annual requirement to pay principal and interest on this obligation is summarized as follows:

Year Ended December 31,	F	Principal	lr	nterest	 Total
2006	\$	126,168	\$	4,002	\$ 130,170



# Notes to Financial Statements December 31, 2005

During 2004, the Commission entered into an installment loan agreement for the purchase of a 2004 Tahoe for a total purchase price of \$ 37,919. The note bears a 0% interest rate and is due in monthly installments of \$ 631.98. The annual requirement to pay the principal balance of the agreement is as follows:

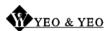
Year Ended December 31,	P	rincipal	Interest		Total
2006	\$	7,584		\$	7,584
2007		7,584			7,584
2008		7,583			7,583
2009		1,264		_	1,264
Total debt payments	\$	24,015	\$ -	\$	24,015

#### **NOTE 7 - DEFERRED COMPENSATION**

The Fire Commission offers its employees a deferred compensation plan created in accordance with IRC Section 457A. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The Fire Commission contributes \$ 80 annually for each participant plus \$ 2 per fire run. Total employer contributions for the years ended December 31, 2005 and 2004 were \$ 9,812 and \$ 11,418 respectively.

All amounts of compensation deferred under the Section 457A Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the sole benefit of the employees. The assets are not subject to the claims of the employer's general creditors.

Participants' rights created under the plan are limited to the fair market value of the deferred account maintained with respect to each participant.



# Notes to Financial Statements December 31, 2005

#### **NOTE 8 - PENSION PLAN**

#### Plan Description

The Fire Commission is the plan sponsor for a defined contribution retirement plan which provides retirement benefits for all full-time permanent employees. The plan is administered by the International City Management Association Retirement Corporation (ICMARC).

#### **Funding Policy**

Participants vest at service inception and are entitled to one hundred percent of vested contributions. The plan is a money purchase plan qualified under Section 401 of the Internal Revenue Code.

#### **Annual Pension Cost**

Contributions during 2005 and 2004, respectively, were 15% of the permanent full-time employees base salaries of \$ 119,756 and \$ 115,057 and totaled \$ 17,877 and \$ 17,259.

#### **NOTE 9 - RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to property loss, torts, errors, and omissions, and employee injuries. The Commission has purchased insurance for these claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

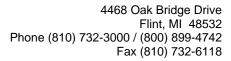
#### **NOTE 10 - SUBSEQUENT EVENT**

The Commission entered into a loan agreement with The State Bank in the amount of \$ 120,000 for the purchase of air packs. The Commission took possession of the air packs in February 2006 for a total cost of \$ 181,029. The loan bears a rate of 4.08%, payable in annual installments of \$ 27,031 beginning in February 2007.



# Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

								Actual Over
		Budgeted Original	d Amoun	its Final	Actual		(Under) Final Budget	
Revenues		Original	_	Tillal		Actual		iai buuget
Member contributions:								
City of Grand Blanc	\$	138,782	\$	138,782	\$	138,782	\$	_
Charter Township of Grand Blanc	·	416,346		416,346		416,346		-
Interest earnings						3,800		3,800
Other income						15,511		15,511
Total revenues and other sources		555,128		555,128		574,439		19,311
Expenditures								
Salaries and fringe benefits		192,451		192,451		181,378		(11,073)
Part-time salaries and fringe benefits		198,550		198,550		172,775		(25,775)
Uniforms		5,000		5,000		3,174		(1,826)
Operating supplies		7,500		7,500		9,971		2,471
Building maintenance						4,521		4,521
Radio maintenance		1,500		1,500		-		(1,500)
Utilities		26,050		26,050		24,728		(1,322)
Conferences and workshops		21,000		21,000		12,876		(8,124)
Insurance - Building		20,000		20,000		14,475		(5,525)
Workers' compensation		11,290		11,290		8,020		(3,270)
Accounting and auditing		4,500		4,500		5,217		717
Memberships and dues		5,000		5,000		2,257		(2,743)
Office supplies, printing and postage		5,700		5,700		3,196		(2,504)
Contracted services		3,637		3,637		4,907		1,270
Equipment repair and replacement		16,150		16,150		54,323		38,173
Other capital outlay		17,000		17,000		29,106		12,106
Telephone		9,000		9,000		4,552		(4,448)
Physicals		5,000		5,000		5,338		338
Janitorial services		4,800		4,800		7,200		2,400
Miscellaneous		1,000		1,000		35		(965)
Total expenditures		555,128		555,128		548,049		(7,079)
Net change in fund balance		-		-		26,390		26,390
Fund balance - beginning		133,357		133,357		133,357		-
Fund balance - ending	\$	133,357	\$	133,357	\$	159,747	\$	26,390





March 8, 2006

To the Board of Commissioners Grand Blanc Fire Commission

We have audited the financial statements of Grand Blanc Fire Commission for the year ended December 31, 2005, and have issued our report thereon dated March 8, 2006. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 14, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Grand Blanc Fire Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Blanc Fire Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by Grand Blanc Fire Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Grand Blanc Fire Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Grand Blanc Fire Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the Grand Blanc Fire Commission's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



#### <u>Issues Discussed Prior to Retention of Independent Auditors</u>

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Grand Blanc Fire Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners and management of Grand Blanc Fire Commission and is not intended to be and should not be used by anyone other than these specified parties. We would like to thank Chief Harmes and his staff for their assistance during the audit.

Very truly yours,

Yeo & Yeo, PC

**CPAs and Business Consultants** 

By:

Michael J. Frawley, CPA